

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
STATEMENT OF INVESTMENT POLICY**

**FOR  
CORPORATE GOVERNANCE DIRECTOR NOMINATIONS**

**February 17, 2009**

*This policy is effective immediately upon adoption and supersedes all previous Corporate Governance Director Nominations policies.*

**I. PURPOSE**

The CalPERS Total Fund Statement of Investment Policy, adopted by the CalPERS Investment Committee ("Committee"), sets forth CalPERS' overarching investment purposes and objectives with respect to all its investment programs.

This document sets forth the investment policy ("Policy") for the Global Equity Corporate Governance Program ("Program"), with respect to Board of Director nominations at a publicly traded corporation in which CalPERS invests. This Policy sets forth the circumstances under which the California Public Employees' Retirement System (CalPERS) through its corporate governance activities identifies and considers candidates for nomination to the Board of Directors of a publicly traded corporation in which CalPERS invests.

**II. STRATEGIC OBJECTIVE**

The Program shall be managed to accomplish the following objectives:

- A. Enhance CalPERS' sustainable long term investment return.
- B. Protect CalPERS' interests as a shareowner.
- C. Strengthen a Board of Directors' fiduciary duty to the publicly traded corporation and its shareowners.

**III. RESPONSIBILITIES**

- A. CalPERS Investment Staff ("Staff") is responsible for the following:
  - 1. Implement and adhere to the Policy within the following parameters:
    - a. As a fiduciary, a director owes a duty of loyalty to the corporation and its shareowners and must exercise reasonable care in relation to his or her duties as a director.

- b. Through its Corporate Governance activities, and consistent with CalPERS' Global Principles of Accountable Corporate Governance, CalPERS may seek director candidates for nomination to the Board of Directors of a publicly traded corporation in which it invests. Director candidate nominations will apply to portfolio companies that meet the following criteria:
    - (1) Focus List Program companies; or
    - (2) Engagement companies: Up to 10 non-focus list publicly traded companies per fiscal year that are on neither the Focus List nor the Monitoring List. "Engagement companies" are companies at which the Board of Directors does not effectively oversee shareowner interests by failing to perform in accordance with the Principles of Accountable Corporate Governance or in circumstances where a company has consistently demonstrated long-term economic underperformance.
  - c. To effectively oversee long-term economic performance, director candidates nominated by CalPERS should meet the following criteria:
    - (1) Competence: A director candidate should possess the requisite range of skills, knowledge and experience to enable him or her to discharge their duties and responsibilities.
    - (2) Independence: A director candidate should be able to exercise judgment in the best interests of the corporation free of any external influence that may attempt to be or may appear to be exerted upon them.
2. Report director nominations to the Committee upon nomination. Reports to the Committee on this matter will include the names and professional details for each director nominated to the Board of Directors at target portfolio companies. The director elections outcome of CalPERS' nominated directors will be reported to the Committee.

#### IV GLOSSARY OF TERMS

Key words used in this policy are defined in CalPERS' Master Glossary of Terms.

Approved by the Policy Subcommittee:	April 13, 2007
Adopted by the Investment Committee:	May 14, 2007
Revised by the Policy Subcommittee:	December 15, 2008
Approved by the Investment Committee:	February 17, 2009

Asset Class Glossary: Shareowner Activities  
Policy: Corporate Governance Director Nominations  
February 17, 2009

**Director**

A member of the Board of Directors of a publicly traded corporation in which CalPERS invests.